

**8 PAGES**

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UNITED STATES BANKRUPTCY COURT  
 EASTERN DISTRICT OF CALIFORNIA  
 SACRAMENTO DIVISION

In re:

RUSSELL WAYNE LESTER, an  
 individual, dba Dixon Ridge Farms,  
  
 Debtor in Possession.

CASE NO.: 20-24123-E-11

Chapter 11

DCN: FWP-2

Date: March 25, 2021  
 Time: 10:30 a.m.  
 Courtroom: Judge Ronald H. Sargis  
 Modesto Division  
 1200 I Street, Suite 200  
 Modesto, CA

**EIGHTH INTERIM ORDER ON DEBTOR IN POSSESSION'S EMERGENCY  
 MOTION FOR AN ORDER (A) AUTHORIZING INTERIM AND FINAL USE OF  
 CASH COLLATERAL; (B) GRANTING REPLACEMENT LIENS; AND  
 (C) SCHEDULING FINAL HEARING PURSUANT TO BANKRUPTCY RULE 4001**

The eighth preliminary hearing on the Emergency Motion for an Order (A) Authorizing Interim and Final Use of Cash Collateral; (B) Granting Replacement Liens; and (C) Scheduling Final Hearing Pursuant to Bankruptcy Rule 4001 (the "Motion"), submitted by the above-captioned Debtor in Possession ("Debtor in Possession") was heard by this Court on March 25, 2021 at 10:30 a.m., in the Modesto Division of the United States Bankruptcy Court for the Eastern District of California. The Debtor in Possession appeared through its counsel, Thomas A. Willoughby of Felderstein Fitzgerald Willoughby Pascuzzi & Rios LLP. Other appearances were

RECEIVED

March 29, 2021

CLERK, U.S. BANKRUPTCY COURT  
 EASTERN DISTRICT OF CALIFORNIA  
 0006950640

1 noted on the record. The Court having made findings of fact and conclusions of law on the record  
2 and finding that notice was adequate under the circumstances and that good cause exists therefor,

3 **IT IS HEREBY ORDERED THAT:**

4 1. The Motion is **GRANTED** to the extent provided herein.

5 2. The Debtor in Possession is authorized to use the cash collateral of First Northern  
6 Bank ("FNB") and Prudential Insurance Company of America ("Prudential") and any disputed  
7 producer lien creditors that may exist (collectively, "Secured Creditors") on an interim basis for  
8 the period beginning March 27, 2021 and ending April 8, 2021, for necessary expenses in the  
9 amount of \$75,266.00 plus a 10% variance for emergencies through the week of April 8, 2021 as  
10 set forth in the budget attached hereto as **Exhibit A**.

11 3. In addition to the existing rights and interests of the Secured Creditors in the Cash  
12 Collateral and for the purpose of attempting to provide adequate protection for the interests of the  
13 Secured Creditors, to the extent of any diminution in Secured Creditor's interest in the Debtor in  
14 Possession's pre-petition cash collateral caused by Debtor in Possession's post-petition use of  
15 such pre-petition cash collateral, Secured Creditors are granted:

16 a. A valid, perfected, and enforceable replacement lien under Sections 105,  
17 361(2), and 363(e) of the Bankruptcy Code in the Debtor in Possession's post-petition cash  
18 collateral and proceeds thereof to the same extent and with the same priority that Secured Creditors  
19 held in the Debtor in Possession's pre-petition cash collateral as of the Petition Date, (the "Cash  
20 Collateral Replacement Lien");

21 b. A valid, perfected, and enforceable replacement lien under Sections 105,  
22 361(2), and 363(e) of the Bankruptcy Code in the Conservation Easement, as defined in the  
23 Motion, to the same extent and with the same priority that Secured Creditors held in the Debtor in  
24 Possession's pre-petition cash collateral as of the Petition Date (the "Conservation Easement  
25 Replacement Lien");

26 c. The Conservation Easement Replacement Lien shall be subordinated to all  
27 the expenses of administration (including professional fees) of any trustee later appointed in this  
28 case pursuant to Local Rule 4001-1(c)(4)(B);

1           4.       In addition to the existing rights and interests of FNB in the Cash Collateral and  
2 for the purpose of attempting to provide adequate protection for the interests of FNB, to the extent  
3 of any diminution in FNB's interest in the Debtor in Possession's pre-petition cash collateral  
4 caused by Debtor in Possession's post-petition use of such pre-petition cash collateral, FNB, is  
5 granted:

6               a.       A valid, perfected, and enforceable replacement lien under Sections 105,  
7 361(2), and 363(e) of the Bankruptcy Code in the Putah Creek Road real property, as defined in  
8 the Motion to the same extent and validity of the lien of FNB held in the Debtor in Possession's  
9 pre-petition cash collateral as of the Petition Date (the "Putah Creek Replacement Lien");

10              b.       The Putah Creek Replacement Lien shall be subordinated to all the  
11 expenses of administration (including professional fees) of any trustee later appointed in this case  
12 pursuant to Local Rule 4001-1(c)(4)(B);

13              c.       To the extent that FNB does not already possess a valid, first priority lien  
14 in the Debtor in Possession's crops now growing or grown in the 2020 crop year (the "2020  
15 Crops"), a valid, perfected, and enforceable priming first-priority priming lien, to the extent it  
16 does not already possess such a lien, under Sections 105, 361(2), and 364(d) of the Bankruptcy  
17 Code on the 2020 Crops, senior in priority to any other security interests and liens in the 2020  
18 Crops, to the same extent and with the same priority that Secured Creditors held in the Debtor in  
19 Possession's pre-petition cash collateral as of the Petition Date (the "Post-Petition Crop Lien");

20           5.       The Cash Collateral Replacement Lien, the Conservation Easement Replacement  
21 Lien, the Putah Creek Replacement Lien, and the Post-Petition Crop Lien (collectively the  
22 "Replacement Liens") are automatically deemed perfected upon entry of this Order without the  
23 necessity of Secured Creditors taking possession, filing financing statements, mortgages or other  
24 documents. The Replacement Collateral herein granted: (i) are and shall be in addition to all  
25 security interests, liens and rights of set-off existing in favor of the Secured Creditors on the  
26 Petition Date; and (ii) shall secure the payment of indebtedness to the Secured Creditors in an  
27 amount equal to the actual diminution in value of the Cash Collateral on and after the Petition  
28 Date resulting from the Debtor in Possession's use of Cash Collateral;

1           6.       In addition to the Replacement Collateral granted to the Secured Creditors pursuant  
2 to this Final Order, the Secured Creditors are hereby granted a super-priority administrative claim  
3 under Sections 503(b)(1), 507(a), and 507(b) of the Bankruptcy Code (the “507(b) Claims”) for  
4 the amount by which adequate protection afforded herein for the amount of the diminution in  
5 Secured Creditors’ pre-petition cash collateral after all Replacement Liens have been exhausted.  
6 Such 507(b) Claims shall have priority over all other costs and expenses of the kind specified in  
7 or ordered pursuant to Sections 105, 326, 330, 331, 503(b), 506(c), 507(a), 507(b) or 726 of the  
8 Bankruptcy Code, except for the Office of the United States Trustee Fees;

9           7.       Except as provided herein in paragraph 5(c) above, none of the Replacement Liens  
10 shall prime or impair any valid and previously perfected security or lien interests in the  
11 replacement collateral. Nothing contained in this Order shall be deemed a finding with respect to  
12 adequate protection (as such term is defined in Section 361 of the Bankruptcy Code) of the  
13 interests of Secured Creditors.

14           8.       Within (7) days of the end of each week in which the Debtor in Possession uses  
15 cash collateral pursuant to the terms of this Order (a “Budgeted Week”), the Debtor in Possession  
16 shall provide weekly periodic accounts to the Secured Creditors’ counsel that request such  
17 accountings setting forth the cash receipts and disbursements made by the Debtor in Possession  
18 under this Order -- such accounting shall include, a simple cash out cash in ledger or report, during  
19 the preceding Budgeted Week, and also a simple financial performance report for that same  
20 Budgeted Week that provides forecast receipts, actual receipts, forecast expenditures and actual  
21 expenditures;

22           9.       A final hearing shall be held on the Debtor in Possession’s Motion on April 8,  
23 2021, at 2:00 p.m. in the Modesto Division of the above-entitled Court.

24           10.      The positions and reservations of rights taken in all prior oppositions and replies  
25 are preserved for subsequent hearings on this Motion.

26 //

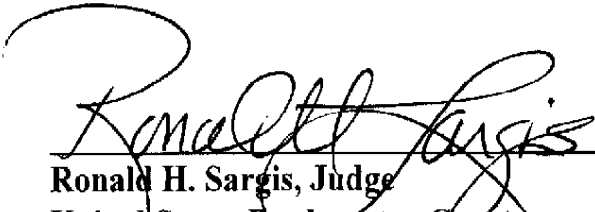
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11. Any supplemental oppositions to the Motion shall be filed on or prior to April 5, 2021. Any reply to any supplemental opposition shall be filed on or prior to 10:00 a.m. on April 7, 2021.

**Dated:** March 30, 2021

**By the Court**


  
Ronald H. Sargis, Judge  
United States Bankruptcy Court

Approved as to Form:

**PRUDENTIAL INSURANCE  
COMPANY OF AMERICA**

By: /s/ Jason J. DeJonker  
Jason J. DeJonker, Counsel for Prudential  
Life Insurance Company

**KRAFT LAW**

By:   
Douglas Kraft, Counsel for First  
Northern Bank of Dixon

# EXHIBIT A

	APRIL BUDGET			MAY BUDGET		
	April Forecast	Amebded 13 Week Cash Budget	April Variance	May Forecast	Amebded 13 Week Cash Budget	May Variance
		April			April	
OPERATING STATISTICS						
Walnuts Harvested (lbs)	-	-	-	-	-	-
In-Shell Shipped (lbs)	500	500	-	400	400	-
Meats Shipped (lbs)	75,000	75,000	-	60,000	60,000	-
SALES (INVOICES)						
In-Shell	625	625	-	500	500	-
Processed Meats	300,000	300,000	-	240,000	240,000	-
Custom Work/Wire Costs/Late Charges/Oil/Other	-	-	-	-	-	-
Total	300,625	300,625	-	240,500	240,500	-
UNIT SALES PRICES (\$/LB)						
In-Shell	\$ 1.25	\$ 1.25	\$ -	\$ 1.25	\$ 1.25	\$ -
Processed Meats	\$ 4.00	\$ 4.00	\$ -	\$ 4.00	\$ 4.00	\$ -
ACCOUNTS RECEIVABLE						
Beginning Balance	\$ 493,551	\$ 493,551	\$ -	\$ 524,345	\$ 524,345	\$ -
Add: Invoices	\$ 300,625	\$ 300,625	\$ -	\$ 240,500	\$ 240,500	\$ -
Less: Receipts	\$ (269,832)	\$ (269,832)	\$ -	\$ (215,865)	\$ (215,865)	\$ -
Ending Balance	\$ 524,345	\$ 524,345	\$ -	\$ 548,979	\$ 548,979	\$ -
CASH RECEIPTS						
TOTAL CASH RECEIPTS	\$ 278,486	\$ 278,486	\$ -	\$ 222,788	\$ 222,788	\$ -
CASH DISBURSEMENTS						
Labor & Related	Total	\$ 145,500	\$ 145,500	\$ 97,000	\$ 97,000	\$ -
Farming	Total	\$ 30,217	\$ 30,217	\$ 24,048	\$ 24,048	\$ -
Processing	Total	\$ 40,162	\$ 40,162	\$ 32,130	\$ 32,130	\$ -
Administrative	Total	\$ 48,808	\$ 48,808	\$ 46,682	\$ 46,682	\$ -
Other Operating	Total	\$ 33,846	\$ 33,846	\$ 23,077	\$ 23,077	\$ -
Financing	Total	\$ 153	\$ 153	\$ 122	\$ 122	\$ -
Professional (Restructuring)	Total	\$ 10,000	\$ 10,000	\$ 5,000	\$ 5,000	\$ -
TOTAL CASH DISBURSEMENTS		\$ 308,686	\$ 308,686	\$ 228,058	\$ 228,058	\$ -
NET CASH FLOW						
NET CASH FLOW	\$ (30,201)	\$ (30,201)	\$ -	\$ (5,270)	\$ (5,270)	\$ -
CASH (BOOK) BALANCE						
Beginning Book Balance	\$ 556,025	\$ 556,025	\$ -	\$ 525,824	\$ 525,824	\$ -
Add: Net Cash Flow	\$ (30,201)	\$ (30,201)	\$ -	\$ (5,270)	\$ (5,270)	\$ -
ENDING BOOK BALANCE	\$ 525,824	\$ 525,824	\$ -	\$ 520,554	\$ 520,554	\$ -

	JUNE BUDGET			AMENDED 13 WEEK CASH BUDGET MARCH 26 THRU JUNE 25		
	June Forecast	Amended 13 Week Cash Budget April	June Variance	Forecast	Budget	Variance
<b>OPERATING STATISTICS</b>						
Walnuts Harvested (lbs)	-	-	-	-	-	-
In-Shell Shipped (lbs)	400	400	-	1,300	1,300	-
Meats Shipped (lbs)	60,000	60,000	-	195,000	195,000	-
<b>SALES (INVOICES)</b>						
In-Shell	500	500	-	1,625	1,625	-
Processed Meats	240,000	240,000	-	780,000	780,000	-
Custom Work/Wire Costs/Late Charges/Oil/Other	-	-	-	-	-	-
<b>Total</b>	<b>240,500</b>	<b>240,500</b>	<b>-</b>	<b>\$ 781,625</b>	<b>\$ 781,625</b>	<b>\$ -</b>
<b>UNIT SALES PRICES (\$/LB)</b>						
In-Shell	\$ 1.25	\$ 1.25	\$ -	\$ 1.25	\$ 1.25	\$ -
Processed Meats	\$ 4.00	\$ 4.00	\$ -	\$ 4.00	\$ 4.00	\$ -
<b>ACCOUNTS RECEIVABLE</b>						
Beginning Balance	\$ 548,979	\$ 548,979	\$ -	\$ 493,551	\$ 493,551	\$ -
Add: Invoices	\$ 240,500	\$ 240,500	\$ -	\$ 781,625	\$ 781,625	\$ -
Less: Receipts	\$ (215,865)	\$ (215,865)	\$ -	\$ (701,562)	\$ (701,562)	\$ -
<b>Ending Balance</b>	<b>\$ 573,614</b>	<b>\$ 573,614</b>	<b>\$ -</b>	<b>\$ 573,614</b>	<b>\$ 573,614</b>	<b>\$ -</b>
<b>CASH RECEIPTS</b>						
<b>TOTAL CASH RECEIPTS</b>	<b>\$ 222,788</b>	<b>\$ 222,788</b>	<b>\$ -</b>	<b>\$ 724,062</b>	<b>\$ 724,062</b>	<b>\$ -</b>
<b>CASH DISBURSEMENTS</b>						
Labor & Related	Total \$ 97,000	\$ 97,000	\$ -	339,500	339,500	-
Farming	Total \$ 24,048	\$ 24,048	\$ -	78,312	78,312	-
Processing	Total \$ 32,130	\$ 32,130	\$ -	\$ 104,422	\$ 104,422	\$ -
Administrative	Total \$ 46,682	\$ 46,682	\$ -	\$ 142,172	\$ 142,172	\$ -
Other Operating	Total \$ 23,077	\$ 23,077	\$ -	80,000	80,000	-
Financing	Total \$ 122	\$ 122	\$ -	397	397	-
Professional (Restructuring)	Total \$ 5,302	\$ 5,302	\$ -	20,302	20,302	-
<b>TOTAL CASH DISBURSEMENTS</b>	<b>\$ 228,360</b>	<b>\$ 228,360</b>	<b>\$ -</b>	<b>\$ 765,105</b>	<b>\$ 765,105</b>	<b>\$ -</b>
<b>NET CASH FLOW</b>						
<b>NET CASH FLOW</b>	<b>\$ (5,572)</b>	<b>\$ (5,572)</b>	<b>\$ -</b>	<b>\$ (41,043)</b>	<b>\$ (41,043)</b>	<b>\$ -</b>
<b>CASH (BOOK) BALANCE</b>						
Beginning Book Balance	\$ 520,554	\$ 520,554	\$ -	\$ 556,025	\$ 556,025	\$ -
Add: Net Cash Flow	\$ (5,572)	\$ (5,572)	\$ -	\$ (41,043)	\$ (41,043)	\$ -
<b>ENDING BOOK BALANCE</b>	<b>\$ 514,982</b>	<b>\$ 514,982</b>	<b>\$ -</b>	<b>\$ 514,982</b>	<b>\$ 514,982</b>	<b>\$ -</b>